

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8124

BILL NUMBER: SB 451

DATE PREPARED: Jan 17, 2001

BILL AMENDED:

SUBJECT: Telecommunications Infrastructure.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill establishes the Telecommunications Infrastructure Development Account as a separate account within the Industrial Development Grant Fund. The bill provides that 20% of all state sales and use taxes collected on retail transactions involving telecommunications services shall be deposited in the account. The bill provides that money in the account must be used for the purpose of providing loans, grants, and loan guarantees to eligible entities for telecommunications infrastructure projects.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill will have an administrative impact on the Department of Commerce and the Department of State Revenue.

Department of Commerce: The Department of Commerce currently manages the Industrial Development Grant Fund. The bill will create the Telecommunications Infrastructure Grant Fund within that fund. The Department will be required to use the fund to assist eligible entities in the development of telecommunications infrastructure by making loans, grants, and loan guarantees on behalf of eligible entities. The bill requires the Department to establish procedures for identifying projects that qualify for funding, criteria for establishing a project's priority, and procedures for selecting projects. The costs associated with administering this fund are expected to be covered using existing staff and resources.

Department of State Revenue: The Department of State Revenue would be required to establish a means of separating sales tax collections on telecommunications services from other sales taxes. (Under current law, all sales tax collections are reported on the same form, with the single exception of the sales tax collected on motor fuel sales.) To accommodate the reporting change, the Department would have to make changes to its filing and computer systems. The Department's start-up costs of implementing these provisions are estimated to be less than \$50,000.

Explanation of State Revenues: This bill changes the distribution of 20% of the revenue received from the sales tax collected on telecommunications services. Under current law, revenue from the sales tax on telecommunications services is distributed, as is revenue from all Gross Retail (Sales) and Use taxes, in the following manner: the State General Fund (59.03%), the Property Tax Replacement Fund (40.00%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%). Under this bill, the first 20% of the sales tax revenue collected will be distributed to the Telecommunications Infrastructure Development Account, a fund created by this bill. The remaining sales tax revenue will be distributed as it is under current law.

The sales tax on telecommunication services is expected to generate approximately \$112 M in FY 2002. Under this proposal, approximately \$22.4 M (20%) of the revenue will be distributed to the Telecommunications Infrastructure Development Account. As a result of this redistribution, the following funds will experience a reduction in revenue: State General Fund (\$13.2 M), Property Tax Replacement Fund (\$9.0 M), Public Mass transportation Fund (\$681,000), Commuter Rail Service Fund (\$152,000), and the Industrial Rail Service Fund (\$36,000).

The following table illustrates how these funds would effectively be distributed under current law and under the changes proposed in this bill.

Estimated FY 2002 Sales Tax Revenue on Telecommunications Services, as distributed under current law and with the proposed changes.			
Fund	Current Law	Proposed Law	Difference
State General Fund	66,086,000	52,868,000	(13,218,000)
Property Tax Replacement Fund	44,781,000	35,825,000	(8,956,000)
Public Mass Transportation Fund	851,000	681,000	(170,000)
Commuter Rail Service Fund	190,000	152,000	(38,000)
Industrial Rail Service Fund	45,000	39,000	(9,000)
Telecommunications Infrastructure Development Account	-0-	22,391,000	22,391,000
Total	\$ 111,953,000	\$ 111,953,000	-0-
Note: This table assumes twelve months of sales tax revenue collection. The timing of the posting and remittance of funds could cause the distribution of a portion of the estimated amount to be delayed until FY 2003.			

The estimate above is based on past sales tax collections adjusted for projected changes in Indiana population and income.

Explanation of Local Expenditures:

Explanation of Local Revenues: Funds in the Telecommunications Infrastructure Account would be used to develop telecommunications infrastructure at the local level.

State Agencies Affected: Indiana Department of Commerce; Department of State Revenue; Auditor of State;

State Budget Agency; Governor's Office.

Local Agencies Affected: Eligible funding recipients.

Information Sources: Department of Commerce; Department of State Revenue;*December 19, 2000, Revenue Forecast Update.*